

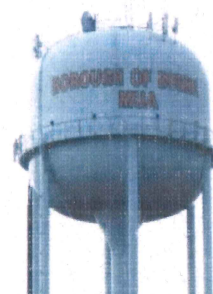
BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012



*Borough of Buena
Municipal Utilities Authority*



Romano, Hearing, Testa & Knorr
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

BOROUGH OF BUENA
MUNICIPAL UTILITIES AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2013 AND 2012

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on the Basic Financial Statements and Supplementary Information	1. - 3.
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4. & 5.
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	6. & 7.
Required Supplementary Information: Management's Discussion and Analysis	8. - 15.
 <u>EXHIBIT</u>	
BASIC FINANCIAL STATEMENTS:	
A Comparative Statements of Net Position	16. & 17.
B Comparative Statements of Revenues, Expenses and Changes in Net Position	18.
C Comparative Statements of Cash Flows	19. & 20.
Notes to Financial Statements	21. - 34.
 <u>SCHEDULE</u>	
SUPPLEMENTARY INFORMATION:	
1 Schedule of Revenues, Expenses and Changes in Net Position – Restricted and Unrestricted	35.
2 Comparative Schedules of Net Position	36. & 37.
3 Comparative Schedules of Revenues, Expenses and Changes in Net Position	38.
4 Schedule of Revenues and Costs Funded by Revenues Compared to Budget – Budgetary Basis	39. & 40.
5 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted Accounts	41.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS (CONTINUED)

<u>SCHEDULE</u>		PAGE
6	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts	42.
7	Schedule of Revenue Bonds Payable – Series 2003 A	43.
8	Schedule of Revenue Bonds Payable – Series 2003 L	44.
9	Schedule of Revenue Bonds Payable – Series 2003 T	45.
10	Schedule of Revenue Bonds Payable – Series 2013	46.
11	Schedule of Expenditures of Federal Awards	47.
	Notes to Schedule of Expenditures of Federal Awards	48.
12	Schedule of Findings and Questioned Costs	49. - 51.
13	Status of Prior Year Findings and Recommendations	52.
	Roster of Officials	53.

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the
Borough of Buena Municipal Utilities Authority
Minotola, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, Atlantic County, New Jersey, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Buena Municipal Utilities Authority, as of December 31, 2013 and 2012, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

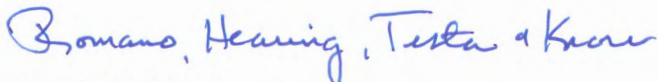
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Buena Municipal Utilities Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, accompanying supplementary schedules as listed in the table of contents and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, on our consideration of the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Buena Municipal Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

August 27, 2014

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Chairman and Members of the
Borough of Buena Municipal Utilities Authority
Minotola, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Borough of Buena Municipal Utilities Authority, a component unit of the Borough of Buena, Atlantic County, New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough of Buena Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated August 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Buena Municipal Utilities Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Buena Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

August 27, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Chairman and Members of the
Borough of Buena Municipal Utilities Authority
Minotola, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Borough of Buena Municipal Utilities Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Borough of Buena Municipal Utilities Authority's major federal programs for the year ended December 31, 2013. The Borough of Buena Municipal Utilities Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Buena Municipal Utilities Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Buena Municipal Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough of Buena Municipal Utilities Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Borough of Buena Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Borough of Buena Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Buena Municipal Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Buena Municipal Utilities Authority's internal control over compliance.

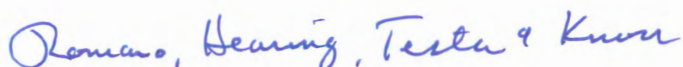
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

August 27, 2014

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Buena Municipal Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2013. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and finally, supplementary information.

REQUIRED FINANCIAL STATEMENTS

The Authority is a single enterprise fund, which includes the Sewer Operation and the Water Operation. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to those used by private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees, water user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question.

These two statements report the net position of the Authority, and changes in them. You can think of the Authority's net position – the sum of assets and deferred outflows, less liabilities and deferred inflows– as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

SEWER OPERATION

FINANCIAL HIGHLIGHTS OPERATIONS

- The Net Capital Assets of the Authority's Sewer Operation total \$8.46 million, which is a \$0.52 million or 6.50% increase from 2012.
- The Total Assets of the Authority's Sewer Operation are \$10.49 million, which is a \$0.64 million or 6.44% increase from 2012.
- During the year, the operating revenues of the Authority's Sewer Operation were \$1.52 million which is a \$0.036 million or 2.43% increase from 2012 and its operating expenses increased by only \$0.002 million to \$1.21 million compared to 2012, an increase of 0.20%.

The total net position of the Authority's Sewer Operation increased from last year by \$1.118 million. The analysis below focuses on the Sewer Operation's net position (Table 1A) and changes in net position (Table 2A) during the year.

Table 1A
Net Position
Sewer Operations
(Dollars in Thousands)

				2013-2012		2012-2011	
	2013	2012	2011 <i>Restated</i>	Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Current Assets-Unrestricted	\$ 618	\$ 507	\$ 468	\$ 111	17.96%	\$ 39	8.33%
Current Assets-Restricted	1,416	1,408	4,809	8	0.57%	(3,401)	(70.72%)
Noncurrent Assets	8,458	7,942	4,552	516	6.50%	3,390	74.47%
Total Assets	10,492	9,857	9,829	635	6.44%	28	0.28%
Deferred Outflows							
Of Resources	20	37	55	(17)	(45.95%)	(18)	(32.73%)
Current Liabilities	55	57	212	(2)	(3.51%)	(155)	(73.11%)
Current Liabilities Payable							
From Restricted Assets	610	4,290	4,199	(3,680)	(85.78%)	91	2.17%
Long-Term Liabilities	4,897	1,713	1,977	3,184	185.87%	(264)	(13.35%)
Total Liabilities	5,562	6,060	6,388	(498)	(8.95%)	(328)	(5.13%)
Deferred Inflows							
Of Resources	132	134	132	(2)	(1.49%)	2	1.52%
Net Investment in							
Capital Assets	3,607	2,691	2,634	916	34.04%	57	2.16%
Restricted Net Position	468	385	306	83	21.56%	79	25.82%
Unrestricted Net Position	743	624	424	119	19.07%	200	47.17%
Total Net Position	\$ 4,818	\$ 3,700	\$ 3,364	\$ 1,118	23.20%	\$ 336	9.99%

The increase in current assets is primarily the net result of decreases in cash, grant receivable, and inventory and increases in accounts receivable and due from restricted assets.

The increase in noncurrent assets is due to the net result of increases in restricted cash and investments and net capital assets and a minor decrease in interest receivable.

The decrease in current liabilities payable from unrestricted assets is the net result of the decreases in accounts payable and a slight increase in accrued liabilities. The decrease in current liabilities payable from restricted assets is primarily the net result of a decrease in project notes payable as the note was paid off in 2013, decreases in contracts and retainages payable, a decrease in the developer escrow liability and increases in due to unrestricted assets and the current portion of revenue bonds payable.

The increase in long-term liabilities is primarily due to the issuance of the Series 2013 Revenue Bonds (USDA), less principal maturities of revenue bonds payable and New Jersey Environmental Infrastructure Trust Loans payable.

Changes in the net position of the Authority's Sewer Operation can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position.

Table 2A
Statement of Revenues, Expenses and Changes in Net Position
Sewer Operations
(Dollars in Thousands)

	(Dollars in Thousands)						
				2013-2012		2012-2011	
	2013	2012	2011	Increase(Decrease)		Increase(Decrease)	
			Restated	\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 1,264	\$ 1,253	\$ 968	\$ 11	0.88%	\$ 285	29.44%
Septage Fees	227	210	235	17	8.10%	(25)	(10.64%)
Other Operating	34	25	21	9	36.00%	4	19.05%
Nonoperating Revenue	17	43	59	(26)	(60.47%)	(16)	(27.12%)
Total Revenue	1,542	1,531	1,283	11	0.72%	248	19.33%
Operating Expenses							
Cost of Providing Services	764	768	727	(4)	(0.52%)	41	5.64%
Administrative and General	192	187	210	5	2.67%	(23)	(10.95%)
Depreciation	256	254	265	2	0.79%	(11)	(4.15%)
Non Operating Expense							
Int, Amort, Project Abandoned &							
Debt Issue Costs	154	98	706	56	57.14%	(608)	(86.12%)
Total Expenses	1,366	1,307	1,908	59	4.51%	(601)	(31.50%)
Capital Contributions	942	112		830	741.07%	112	
Change in Net Position	1,118	336	(625)	782	232.74%	961	(153.76%)
Beginning Net Position	3,700	3,364	3,989	336	9.99%	(625)	(15.67%)
Ending Net Position	\$ 4,818	\$ 3,700	\$ 3,364	\$ 1,118	30.22%	\$ 336	9.99%

REVENUES AND EXPENSES

The total revenues of the Authority's Sewer Operation are approximately \$1.54 million for the year ended December 31, 2013. User Charges and Fees were \$1.26 million, accounting for 82% of total revenue. Septage Fees were \$.227 million, accounting for 14.7% of total revenue. Operating expenses include cost of providing services, which totaled \$.764 million, a decrease of \$.004 million from the prior year, and administrative and general expenses of \$.192 million, a \$.005 million increase compared to last year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2013, the Authority's Sewer Operation had \$8.46 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.256 million.

The following tables summarize the capital assets of the Authority's Sewer Operation, net of accumulated depreciation, and changes therein, for the year ended December 31, 2013.

Table 3A
Capital Assets, Net of Accumulated Depreciation
Sewer Operations
(Dollars in Thousands)

	2013	2012	2011	2013-2012		2012-2011	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Land	\$ 486	\$ 486	\$ 404	\$ -	0.00%	\$ 82	20.30%
Treatment Plant and Facilities	6,582	2,153	2,256	4,429	205.71%	(103)	(4.57%)
Pumping Stations and Interceptors and Improvements	1,224	1,280	1,337	(56)	(4.38%)	(57)	(4.26%)
Machinery and Equipment	151	201	263	(50)	(24.88%)	(62)	(23.57%)
Construction in Progress	15	3,822	292	(3,807)	(99.61%)	3,530	1208.90%
Total	<u>\$ 8,458</u>	<u>\$ 7,942</u>	<u>\$ 4,552</u>	<u>\$ 516</u>	6.50%	<u>\$ 3,390</u>	74.47%

This year's additions/reductions (in thousands) include:

Treatment Plant and Facilities \$ 4,580

The Authority's FY 2014 capital budget plans for investing another \$0.34 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$	25
Lines and Laterals		315
Total	\$	<u>340</u>

The Authority plans on funding those capital projects using a combination of existing cash, including reserves and year 2014 revenue.

Debt Administration

At December 31, 2013, the Authority's Sewer Operation had several outstanding bonds payable in the amount of \$5,198,805 that mature in various amounts through the year 2053 with interest rates ranging from 0% to 5.0%. The Authority also has accrued compensated absences in the amount of \$39,384. More detailed information about long-term liabilities can be found in Note 8 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The budget for the year 2014 maintains the same rates for residential user charges and fees setting the rate at \$545 per unit per year. In addition, commercial sewer users are billed based on flow. Budgeted connection fees for new customers remain the same at \$3,500/unit.

WATER OPERATION

FINANCIAL HIGHLIGHTS OPERATIONS

- The Net Capital Assets of the Authority's Water Operation total \$2.918 million, which is a (\$.129) million or 4.24% decrease from 2012.
- The Total Assets of the Authority's Water Operation increased 0.67% from the prior year to \$4.01 million.
- During the year, the operating revenues of the Authority's Water Operation were \$.740 million which is a \$.021 million or 2.73% decrease from 2012 and operating expenses were \$.738 million, which is a 1.72% decrease from 2012.

The total net position of the Authority's Water Operation increased from last year by \$.018 million. The analysis below focuses on the Water Operation's net position (Table 1B) and changes in net position (Table 2B) during the year.

Table 1B
Water Operations
Net Position
(Dollars in Thousands)

	(Dollars in Thousands)						
			2013-2012		2012-2011		
	2013	2012	2011	Increase(Decrease)		Increase(Decrease)	
			Restated	\$	%	\$	%
Current Assets-Unrestricted	\$ 688	\$ 507	\$ 384	\$ 181	35.70%	\$ 123	32.03%
Current Assets-Restricted	404	428	454	(24)	(5.61%)	(26)	(5.73%)
Noncurrent Assets	2,918	3,047	3,174	(129)	(4.23%)	(127)	(4.00%)
Total Assets	4,010	3,982	4,012	28	0.70%	(30)	(0.75%)
Deferred Outflows of Resources	7	14	21	(7)	(50.00%)	(7)	(33.33%)
Current Liabilities	23	28	15	(5)	(17.86%)	13	86.67%
Current Liabilities Payable							
From Restricted Assets	140	70	89	70	100.00%	(19)	(21.35%)
Long-Term Liabilities	467	534	606	(67)	(12.55%)	(72)	(11.88%)
Total Liabilities	630	632	710	(2)	(0.32%)	(78)	(10.99%)
Deferred Inflows of Resources	136	132	132	4	3.03%	-	0.00%
Net Investment in							
Capital Assets	2,505	2,675	2,715	(170)	(6.36%)	(40)	(1.47%)
Restricted Net Position	228	206	194	22	10.68%	12	6.19%
Unrestricted Net Position	518	351	282	167	47.58%	69	24.47%
Total Net Position	\$ 3,251	\$ 3,232	\$ 3,191	\$ 19	0.59%	\$ 41	1.28%

Total current assets increased due to the increases in cash, accounts receivable and due from restricted assets and a decrease in inventory.

The decrease in noncurrent assets is due to decreases in cash and investments, interest receivable and net capital assets.

The increase in current liabilities payable from unrestricted assets is the result of decreases in accounts payable and accrued liabilities. The increase in current liabilities payable from restricted assets is the result of an increase in the current portion of revenue bonds payable and due to restricted assets.

The decrease in long-term liabilities is the net result of the principal maturities of revenue bonds payable and an increase in accrued compensated absences.

Changes in the net position of the Authority's Water Operation can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position.

Table 2B
Statement of Revenues, Expenses and Changes in Net Position
Water Operations
(Dollars in Thousands)

	(2) CHANGES IN FINANCIALS						
			2013-2012			2012-2011	
			2011	Increase(Decrease)		Increase(Decrease)	
	2013	2012	Restated	\$	%	\$	%
Operating Revenue							
User Charges & Fees	\$ 713	\$ 732	\$ 729	\$ (19)	(2.60%)	\$ 3	0.41%
Other Operating	27	29	21	(2)	(6.90%)	8	38.10%
Nonoperating Revenue	47	64	47	(17)	(26.56%)	17	36.17%
Total Revenue	787	825	797	(38)	(4.61%)	28	3.51%
Operating Expenses							
Cost of Providing Services	432	462	445	(30)	(6.49%)	17	3.82%
Administrative and General	177	159	190	18	11.32%	(31)	(16.32%)
Depreciation	129	130	132	(1)	(0.77%)	(2)	(1.52%)
Non Operating Expense							
Interest and Amortization	30	33	40	(3)	(9.09%)	(7)	(17.50%)
Total Expenses	768	784	807	(768)	(97.96%)	(23)	(2.85%)
Change in Net Position	19	41	(10)	(22)	(53.66%)	51	510.00%
Beginning Net Position	3,232	3,191	3,201	41	1.28%	(10)	(0.31%)
Ending Net Position	\$ 3,251	\$ 3,232	\$ 3,191	\$ 19	0.59%	\$ 41	1.28%

REVENUES AND EXPENSES

The total revenues of the Authority's Water Operation are approximately \$.79 million for the year ended December 31, 2013. User Charges and Fees were \$.713 million, accounting for 92% of total revenue. Operating expenses include cost of providing services, which totaled \$.432 million, a \$.030 million decrease, and administrative and general expenses of \$.177 million, an \$.018 million increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2013, the Authority's Water Operation had \$2.92 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.129 million.

The following tables summarize the capital assets of the Authority's Water Operation, net of accumulated depreciation, and changes therein, for the year ended December 31, 2013.

Table 3B
Capital Assets, Net of Accumulated Depreciation
Water Operations
(Dollars in Thousands)

			2013-2012		2012-2011	
			Increase(Decrease)		Increase(Decrease)	
	2013	2012	2011	\$ %	\$ %	\$ %
Land	\$ 4	\$ 4	\$ 4	\$ - -	\$ - -	-
Water Distribution System	2,896	3,017	3,139	(121) (4.01%)	(122) (3.89%)	
Machinery and Equipment	18	26	32	(8) (30.77%)	(6) (18.75%)	
Total	<u>\$ 2,918</u>	<u>\$ 3,047</u>	<u>\$ 3,175</u>	<u>\$ (129) (4.42%)</u>	<u>\$ (128) (4.03%)</u>	

The Authority's FY 2014 capital budget plans for investing another \$.04 million in capital projects, including the following (in thousands):

Plant Operating/Office Equipment	\$ 25
Other Budgeted Capital	15
Total	<u>\$ 40</u>

The Authority plans on funding those capital projects using existing cash, including reserves and 2014 revenue.

Debt Administration

At December 31, 2013, the Authority's Water Operation had an outstanding bond issue payable in the amount of \$505,400 that matures in various amounts through the year 2019 with interest rates ranging from 3.75% to 4.3%. The Authority also has accrued compensated absences in the amount of \$31,459. More detailed information about long-term liabilities can be found in Note 8 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The budget for the year 2014 maintains the same rates for user charges and fees and connection fees for new customers.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's Secretary/Treasurer at the Borough of Buena Municipal Utilities Authority, PO Box 696, Minotola, NJ, 08341.

BASIC FINANCIAL STATEMENTS

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS - UNRESTRICTED:		
Cash	\$ 673,358	\$ 597,980
Accounts Receivable	253,061	247,219
Interest Receivable	2	
Grant Receivable		111,711
Due from Restricted Assets	327,470	
Inventory	51,842	57,232
Total Current Assets - Unrestricted	<u>1,305,733</u>	<u>1,014,142</u>
CURRENT ASSETS - RESTRICTED:		
Accounts Required by the General Bond Resolution:		
Cash	802,553	637,079
Investments	720,000	720,000
Interest Receivable	1,077	1,424
Other:		
Cash	295,706	477,519
Total Current Assets - Restricted	<u>1,819,336</u>	<u>1,836,022</u>
NONCURRENT ASSETS:		
Capital Assets, Net	11,376,329	10,989,494
Total Noncurrent Assets	<u>11,376,329</u>	<u>10,989,494</u>
TOTAL ASSETS	<u>14,501,398</u>	<u>13,839,658</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Defeasance of Debt	27,317	50,850
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>27,317</u>	<u>50,850</u>

(Continued)

The accompanying Notes to Financial Statements are an integral part of this statement

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 34,195	\$ 40,599
Accrued Liabilities	<u>43,491</u>	<u>44,693</u>
Total Current Liabilities Payable From Unrestricted Assets	<u>77,686</u>	<u>85,292</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Contracts Payable		105,737
Retainage Payable		168,979
Due to Unrestricted Assets	327,470	
Project Note Payable		3,700,000
Revenue Bonds Payable - Current Portion	411,053	342,097
Accrued Interest Payable - Bonds and Notes	9,196	15,734
Developer Escrow Liability	<u>2,257</u>	<u>27,991</u>
Total Current Liabilities Payable From Restricted Assets	<u>749,976</u>	<u>4,360,538</u>
LONG-TERM LIABILITIES:		
Revenue Bonds Payable - Non-Current Portion	5,292,276	2,182,436
Accrued Compensated Absences	<u>70,843</u>	<u>64,509</u>
Total Long-Term Liabilities	<u>5,363,119</u>	<u>2,246,945</u>
TOTAL LIABILITIES	<u>6,190,781</u>	<u>6,692,775</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	107,426	107,045
Deferred Connection Fees	<u>161,092</u>	<u>158,411</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>268,518</u>	<u>265,456</u>
NET POSITION:		
Net Investment in Capital Assets	6,111,947	5,366,209
Restricted:		
Current Debt Service	217,106	122,739
Operations	479,243	468,846
Unrestricted	<u>1,261,120</u>	<u>974,483</u>
TOTAL NET POSITION	<u>\$ 8,069,416</u>	<u>\$ 6,932,277</u>

The accompanying Notes to Financial Statements are an integral part of this statement

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUE:		
User Charges and Fees	\$ 1,977,511	\$ 1,985,139
Interest on Delinquent Accounts	50,561	40,265
Septage Fees	226,538	209,960
Miscellaneous Income	10,029	13,845
	<u>2,264,639</u>	<u>2,249,209</u>
Total Operating Revenue	<u>2,264,639</u>	<u>2,249,209</u>
OPERATING EXPENSES:		
Cost of Providing Services	1,195,597	1,230,325
Administrative and General	368,674	345,616
Depreciation	385,524	384,423
	<u>1,949,795</u>	<u>1,960,364</u>
Total Operating Expenses	<u>1,949,795</u>	<u>1,960,364</u>
OPERATING INCOME	<u>314,844</u>	<u>288,845</u>
NON-OPERATING REVENUE (EXPENSES):		
Connection Fees	15,096	52,720
Interest Income	3,664	6,481
Miscellaneous Income	44,702	49,023
Interest Expense	(154,089)	(130,939)
Debt Issue Costs Incurred	(29,357)	
	<u>(119,984)</u>	<u>(22,715)</u>
Total Non-Operating Revenue (Expenses)	<u>(119,984)</u>	<u>(22,715)</u>
CHANGE IN NET POSITION, BEFORE CAPITAL CONTRIBUTIONS	194,860	266,130
CAPITAL CONTRIBUTIONS	<u>942,279</u>	<u>111,711</u>
CHANGE IN NET POSITION	1,137,139	377,841
NET POSITION - JANUARY 1,	<u>6,932,277</u>	<u>6,554,436</u>
NET POSITION- DECEMBER 31,	<u>\$ 8,069,416</u>	<u>\$ 6,932,277</u>

The accompanying Notes to Financial Statements are in integral part of this statement

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received from Customers and Users	\$ 1,522,013	\$ 727,071	\$ 2,249,084	\$ 1,439,041	\$ 749,363	\$ 2,188,404
Cash Payments to Suppliers for Goods and Services	(477,122)	(232,630)	(709,752)	(480,457)	(231,997)	(712,454)
Cash Payments for Employee Services	(476,894)	(378,897)	(855,791)	(468,240)	(379,538)	(847,778)
Other Receipts (Payments)	(21,373)	55,354	33,981	(19,507)	41,415	21,908
Net Cash Provided by Operating Activities	546,624	170,898	717,522	470,837	179,243	650,080
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and Construction of Capital Assets	(1,024,596)	-	(1,024,596)	(3,417,443)	(3,290)	(3,420,733)
Capital Contributions	1,053,990		1,053,990			
Connection Fees Received	14,000	3,820	17,820	21,000	10,628	31,628
Proceeds from Issuance of Project Notes			-	151,000		151,000
Proceeds from USDA Bond Issue	3,549,000		3,549,000			
Principal Paid on Bonds and Notes	(4,001,872)	(68,600)	(4,070,472)	(313,845)	(86,800)	(400,645)
Interest Paid on Bonds and Notes	(127,881)	(26,324)	(154,205)	(107,277)	(26,288)	(133,565)
Net Cash Used in Capital and Related Financing Activities	(537,359)	(91,104)	(628,463)	(3,666,565)	(105,750)	(3,772,315)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Received on Investments	2,802	1,209	4,011	4,706	2,130	6,836
Proceeds from Maturities of Investment Securities	948,741	457,228	1,405,969	901,238	575,306	1,476,544
Purchase of Investment Securities	(1,036,800)	(403,200)	(1,440,000)	(1,036,800)	(403,200)	(1,440,000)
Net Cash Provided by (Used in) Investing Activities	(85,257)	55,237	(30,020)	(130,856)	174,236	43,380
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,992)	135,031	59,039	(3,326,584)	247,729	(3,078,855)
CASH AND CASH EQUIVALENTS - JANUARY 1,	1,105,297	607,281	1,712,578	4,431,881	359,552	4,791,433
CASH AND CASH EQUIVALENTS - DECEMBER 31,	\$ 1,029,305	\$ 742,312	\$ 1,771,617	\$ 1,105,297	\$ 607,281	\$ 1,712,578

The accompanying Notes to Financial Statements are an integral part of this statement

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income	\$ 312,560	\$ 2,284	\$ 314,844	\$ 278,707	\$ 10,138	\$ 288,845
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	256,414	129,110	385,524	254,283	130,140	384,423
Miscellaneous Income		44,702	44,702		49,023	49,023
Increase (Decrease) in Cash Resulting From Changes in:						
Accounts Receivable	(1,320)	(4,612)	(5,932)	(49,188)	1,359	(47,829)
Inventory	3,234	2,156	5,390	(4,679)	(3,120)	(7,799)
Accounts Payable	(2,603)	(3,801)	(6,404)	3,323	(13,180)	(9,857)
Accrued Liabilities	489	(1,691)	(1,202)	(393)	1,265	872
Accrued Compensated Absences	3,584	2,750	6,334	(9,832)	3,618	(6,214)
Developer Escrow Liability	(25,734)		(25,734)	(1,384)		(1,384)
Total Adjustments	234,064	168,614	402,678	192,130	169,105	361,235
Net Cash Provided by Operating Activities	\$ 546,624	\$ 170,898	\$ 717,522	\$ 470,837	\$ 179,243	\$ 650,080

The accompanying Notes to Financial Statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 GENERAL

The Borough of Buena Municipal Utilities Authority was created as a political subdivision of the State of New Jersey by ordinance of the Borough of Buena dated December 23, 1963 pursuant to N.J.S.A. 40:14B-6.

The Authority was created to install, construct, finance and maintain the operations of a water supply system and sewerage system in the Borough of Buena.

As a public body under existing statute, the Authority is exempt from both federal and state taxes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Financial Reporting Entity

The Authority is a component unit of the Borough of Buena as it meets the financial accountability criteria for component units set forth in Governmental Accounting Standards Board (“GASB”) Statement No. 14. The financial statements of the Borough of Buena are not presented in accordance with generally accepted accounting principles (GAAP) and do not present the financial statements of its component units in accordance with GASB Statement No. 14. The Authority’s financial statements would be either blended or discretely presented with those of the Borough if the Borough reported using generally accepted accounting principles (GAAP) applicable to governmental entities. The Authority does not have any component units for which it is financially accountable.

B. Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are user charges and fees for sewerage treatment, water supply and septage fees. The Authority also recognizes interest on delinquent customer accounts and certain types of miscellaneous income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to end of the current fiscal year, and adopted no later than the beginning of the Authority's fiscal year. The budget is adopted on the accrual basis of accounting with provision for cash payments for bond principal. Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

E. Allocation of Common Costs

Certain costs not specifically identifiable to either the sewer or water operation that benefit both operations, including salaries, wages and benefits and other administrative costs are allocated between the sewer and water operations based on management's estimates.

F. Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

G. Grants

Contributions received from various sources as grants are recorded in the period earned. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue.

Grants externally restricted for non-operating purposes are recorded as capital contributions.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets, which consist of property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an individual cost of \$3,000 or more and an estimated useful life in excess of one year.

Construction in progress is stated at cost, which includes interest expense incurred during construction. The Authority reduces the capitalized project costs by the amount of interest earned from the investment of excess funds, which has the effect of reducing the cost of borrowing. Construction costs are charged to construction in progress until such time as the facility is put into operation.

Plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water distribution system	50 years
Treatment plant and facilities	20, 40 years
Mains, interceptors and improvements	50 years
Machinery and equipment	5 - 15 years
Office furniture and equipment	5 - 10 years
Vehicles	5 - 15 years

I. Restricted and Unrestricted Accounts

In accordance with the Authority's General Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Revenue Fund	All revenue received by the Authority	Transfers to the various accounts described below.
Operating Fund	An amount equal to the amount appropriated for operating expenses in the annual budget for the following three month period.	Payment of Operating Expenses.
Rebate Fund	Amount sufficient to pay any rebate amount determined by the Authority to be due to the United States of America.	Payment of Arbitrage earnings to the United States of America.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted and Unrestricted Accounts (Continued)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Bond Service Fund	An amount equal to the interest plus the principal installment then due and unpaid, plus, all interest payable on the next interest payment date and depending on the calculation date, either one-half or the full amount of principal due on the next principal installment date.	Payment of debt service for the bonds.
Bond Reserve Fund	An amount equal to the maximum annual debt service in any current or future fiscal year for outstanding bonds.	To make up any deficiencies in the bond service fund and sinking fund to the extent needed.
General Fund	Any funds available after the requirements for the other funds have been met.	To meet the requirements of the other funds. If all other fund requirements have been met, any lawful purpose of the Authority.

In addition to the accounts required by the General Bond Resolution, the Authority has also established the following restricted accounts:

Renewal and Replacement account restricted for equipment renewal or replacement.

Escrow account consisting of funds collected from developers for costs to be incurred by the Authority on their behalf.

The Project Account is restricted for costs related to the Treatment Plant Upgrade Project.

J. Inventory

Inventory consists principally of parts and supplies used in the treatment process and is stated at cost determined on a first-in, first-out basis.

K. Bond Discounts

Bond discounts arising from the issuance of debt are amortized over the life of the issue based upon the interest method as a component of interest expense. Bonds payable are reported net of the applicable bond discount.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Amount on Refunding

The deferred amount on refunding is recorded as a deferred outflow of resources. It is amortized over the shorter of the remaining life of the old debt or new debt based upon the interest method as a component of interest expense.

M. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan ("the plan") and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17:9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least five percent (5%) of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

The cash management plan adopted by the Borough of Buena Municipal Utilities Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

N. Subsequent Events

Management has evaluated subsequent events through August 27, 2014 the date the financial statements were available for issue.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2013 the carrying amount and bank balance of the Authority's time and demand deposits were \$792,276 and \$861,014, respectively.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). The Authority's public funds in excess of the FDIC insured amounts are protected by GUDPA. As of December 31, 2013, \$250,000 of the Authority's bank balance of \$861,014 was insured and \$611,014 was uninsured and collateralized.

At December 31, 2013 the Authority had \$293,356 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

In addition to the bank deposits described above, the Authority also had \$685,985 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

NOTE 4 INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC).

The Authority's public funds in excess of the FDIC insured amounts are protected by GUDPA. At December 31, 2013 and 2012, the Authority invested \$720,000 and \$720,000 in certificates of deposits which were held in the name of the Authority.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority's Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. One hundred percent (100.0%) of the Authority's investments are in certificates of deposits at Susquehanna Patriot Bank with a maturity of less than one year.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2013 and 2012 consists of the following:

Customer Accounts Receivable:	2013	2012
Sewer	\$ 148,319	\$ 146,261
Water	134,693	128,927
Septage Hauler Receivables	32,043	32,871
	315,055	308,059
Less: Allowance for Doubtful Accounts	61,994	60,840
	<u>\$ 253,061</u>	<u>\$ 247,219</u>

NOTE 6 CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2013 was as follows:

	Balance <u>January 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2013</u>
Non-Depreciable Capital Assets:				
Land	\$ 489,752	\$	\$	\$ 489,752
Construction in Progress	<u>3,822,440</u>	<u>753,047</u>	<u>4,560,899</u>	<u>14,588</u>
Total Non-Depreciable Capital Assets	<u>4,312,192</u>	<u>753,047</u>	<u>4,560,899</u>	<u>504,340</u>
Depreciable Capital Assets:				
Treatment Plant and Facilities	5,203,358	4,580,211		9,783,569
Pumping Stations, Interceptors and Improvements	2,646,004			2,646,004
Machinery and Equipment	2,532,701			2,532,701
Water Distribution System	<u>5,434,661</u>			<u>5,434,661</u>
Total Depreciable Capital Assets	<u>15,816,724</u>	<u>4,580,211</u>		<u>20,396,935</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 6 CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>January 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2013</u>
Less: Accumulated Depreciation for:				
Treatment Plant and Facilities	3,050,804	151,166		3,201,970
Pumping Stations, Interceptors and Improvements	1,365,521	56,314		1,421,835
Machinery and Equipment	2,305,572	57,215		2,362,787
Water Distribution System	<u>2,417,525</u>	<u>120,829</u>		<u>2,538,354</u>
Total Accumulated Depreciation	<u>9,139,422</u>	<u>385,524</u>		<u>9,524,946</u>
Depreciable Capital Assets, Net	<u>6,677,302</u>	<u>4,194,687</u>	-	<u>10,871,989</u>
Total Capital Assets, Net	<u>\$ 10,989,494</u>	<u>\$ 4,947,734</u>	<u>\$ 4,560,899</u>	<u>\$ 11,376,329</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was charged to:

	<u>2013</u>	<u>2012</u>
Sewer Operation	\$ 256,414	\$ 254,283
Water Operation	<u>129,110</u>	<u>130,140</u>
	<u>\$ 385,524</u>	<u>\$ 384,423</u>

NOTE 7 PENSIONS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (the System) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. The System's Board of Trustees is primarily responsible for the administration of the System.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P. O. Box 295, Trenton, New Jersey 08625-0295.

The State of New Jersey Public Employees' Retirement System is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A.

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The System provides specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 7 PENSIONS (CONTINUED)

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was 6.5% of annual compensation. The member contribution amount increased from 6.64% to 6.78% effective July 1, 2013 and is scheduled to increase by 0.14% per year until the contribution rate reaches 7.50% in July 2018. Employer's contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits are funded on a pay-as-you-go basis.

For 2013 and 2012 the Authority had annual pension cost of \$60,639 and \$62,092, respectively.

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/13	\$60,639	100%	\$ -
12/31/12	62,092	100%	-
12/31/11	58,353	100%	-

NOTE 8 LONG-TERM LIABILITIES

A. Project Note Payable

In November 2011, the Authority issued Project Notes in the amount of \$3,549,000, in anticipation of permanent financing of bonds to be issued to the USDA Rural Development to finance the Authority's construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant. The interest rate was 0.75% per annum.

The Project Note amount was increased to \$3,700,000 on November 8, 2012 at an interest rate of 0.95% per annum. The note matured on August 8, 2013.

B. Bonds Payable

In June 2013, the Authority issued Sewer Revenue Bonds (Series 2013) to USDA Rural Development in the principal amount of \$3,549,000. The proceeds were used to finance the construction of wastewater treatment process modifications and equipment to enhance the effluent quality and expand capacity of the wastewater treatment plant.

The Authority will pay principal and interest on the unpaid principal balance at a rate of 2.125% per annum in equal semi-annual installments of \$66,083, commencing on December 28, 2013 and each June 28 and December 28 thereafter, and one final installment on June 28, 2053. The outstanding balance of the Series 2013 Revenue Bonds at December 31, 2013 is \$3,520,625.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

B. Bonds Payable (Continued)

In September 2003, the Authority issued its Sewer Revenue Bonds (Series 2003A), in the principal amount of \$5,995,000. The proceeds derived from the issuance and sale of the Bonds were used to: currently refund the Authority's 1991 Revenue Bonds (Series A) dated November 1, 1991 then outstanding in the aggregate principal amount of \$1,390,000; currently refund the Authority's 1991 Revenue Bonds (Series B) dated November 14, 1991 then outstanding in the aggregate principal amount of \$1,082,093; currently refund the Authority's 1993 Revenue Bonds (Series A) dated July 1, 1993 then outstanding in the aggregate principal amount of \$2,455,000; advance refund the Authority's 1997 Revenue Bonds (Series A) dated October 15, 1997 then outstanding in the aggregate principal amount of \$590,000; currently refund the Authority's 2000 Revenue Bonds dated November 22, 2000 then outstanding in the aggregate principal amount of \$382,765; fund the Bond Reserve Fund to equal the Bond Reserve Requirement, make a deposit into the Bond Service Fund; and pay for the costs of issuance incurred in connection with the sale of the Series 2003A Bonds.

The outstanding balance of the Series 2003A Bonds consists of serial bonds that mature annually to 2019 in various amounts ranging from \$250,000 to \$405,000 with interest rates ranging from 3.75% to 4.30% per annum.

The Series 2003A Bonds maturing prior to December 1, 2014 are not subject to optional redemption prior to maturity. The Series 2003A Bonds maturing on or after December 1, 2014 shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after December 1, 2013 as a whole or in part at any time (and selected by lot of within a maturity) at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2003A Bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption.

In conjunction with the issuance of its Series 2003A Refunding Bonds, the Authority issued its Series 2003L and Series 2003T Bonds in substitution of, and in exchange for, its Series 1997L and Series 1997T Bonds originally issued to the State of New Jersey and New Jersey Environmental Infrastructure Trust respectively.

The Series 2003L and Series 2003T Bonds are issued pursuant to the Loan Agreement dated November 1, 1997 by and between the State, acting by and through the New Jersey Department of Environmental Protection; the New Jersey Environmental Infrastructure Trust (the Trust); and the Authority, and are subject to the same terms and conditions as the Series 1997T and Series 1997L Bonds.

The Series 2003L Bonds are non-interest bearing and mature in various amounts from 2014 through 2017.

The Series 2003T Bonds mature in various amounts ranging from \$60,000 in 2014 to \$65,000 in 2017 with an interest rate of 5.00% per annum.

C. Compensated Absences

Current policy allows employees who retire from the Authority via PERS will be reimbursed for fifty percent (50%) of accrued sick leave up to a maximum of \$12,000, calculated at the then current rate.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2013:

<u>Type of Debt</u>	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2013</u>	<u>Amounts Due Within One Year</u>
Project Note Payable	\$ 3,700,000	\$	\$ 3,700,000	\$	\$
Series 2013 Revenue Bonds (USDA)		3,549,000	28,375	3,520,625	57,657
Series 2003A Revenue Bonds	2,050,000		245,000	1,805,000	250,000
Series 2003L Revenue Bonds	170,677		42,097	128,580	43,396
Series 2003T Revenue Bonds	<u>305,000</u>	<u> </u>	<u>55,000</u>	<u>250,000</u>	<u>60,000</u>
	6,225,677	3,549,000	4,070,472	5,704,205	411,053
Less: Unamortized Original Issue Discount	<u>(1,144)</u>	<u> </u>	<u>(268)</u>	<u>(876)</u>	<u> </u>
Total Bonds and Notes Payable	6,224,533	3,549,000	4,070,204	5,703,329	411,053
Accrued Compensated Absences	<u>64,509</u>	<u>6,334</u>	<u> </u>	<u>70,843</u>	<u> </u>
Total Long-Term Liabilities	<u>\$ 6,289,042</u>	<u>\$ 3,555,334</u>	<u>\$ 4,070,204</u>	<u>\$ 5,774,172</u>	<u>\$ 411,053</u>

The annual debt service requirements to maturity, including principal and interest, for project notes payable and revenue bonds payable as of December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 411,053	\$ 159,169	\$ 570,222
2015	425,451	145,562	571,013
2016	437,856	130,579	568,435
2017	412,347	115,244	527,591
2018	467,744	100,622	568,366
2019-2023	664,411	340,610	1,005,021
2024-2028	371,689	289,141	660,830
2029-2033	413,124	247,706	660,830
2034-2038	459,178	201,652	660,830
2039-2043	510,365	150,465	660,830
2044-2048	567,259	93,571	660,830
2049-2053	<u>563,728</u>	<u>30,342</u>	<u>594,070</u>
Total	<u>\$ 5,704,205</u>	<u>\$ 2,004,663</u>	<u>\$ 7,708,868</u>

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In October 2004 (effective January 1, 2005) the Authority adopted a resolution authorizing participation in the SHBP's post-retirement benefit program. Pursuant to that resolution, the Authority pays 100% of the premium charges for the benefits provided to certain eligible pensioners who are age 55 or older, who retire with 25 years or more of service in the retirement system and 20 years of service with the Authority, and their dependents, covered by the New Jersey SHBP and reimburses retired employees and their spouses for their premium charges under Part B of the Federal Medicare Program.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/>.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to and paid by the Authority on a monthly basis. Plan members are not required to contribute to the cost of those premiums.

The Authority contributions to SHBP for retirees for the years ended December 31, 2013, 2012, and 2011, were \$35,193, \$35,455, and \$24,957, respectively, which equaled the required contributions for each year. There were 4 retired participants eligible at December 31, 2013 and 2012 and 3 retired participants in 2011.

NOTE 10 INTEREST EXPENSE

Interest expense consists of the following:

	<u>2013</u>	<u>2012</u>
Interest on Bonds and Notes	\$ 130,289	\$ 105,403
Amortization of Original Issue Discount	267	302
Amortization of Deferred Amount on Refunding	<u>23,533</u>	<u>25,234</u>
Net Interest Expense	<u>\$ 154,089</u>	<u>\$ 130,939</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 11 AMOUNTS REQUIRED BY GENERAL BOND RESOLUTION

The following restricted cash and investment accounts are required by the Authority's General Bond Resolution:

	<u>Operating Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve</u>
Required Amount	\$ 479,244	\$ 161,830	\$ 438,847
Cash and Investments	<u>585,439</u>	<u>226,303</u>	<u>766,317</u>
	<u>\$ 106,195</u>	<u>\$ 64,473</u>	<u>\$ 327,470</u>

NOTE 12 RESTRICTED NET POSITION

The Authority has restricted net position for the following purposes in accordance with the requirements of its General Bond Resolution.

	<u>2013</u>		<u>2012</u>	
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water Operations</u>
Current Debt Service	\$ 170,445	\$ 46,661	\$ 97,210	\$ 25,529
Operations	297,622	181,621	287,954	180,892

NOTE 13 DESIGNATED UNRESTRICTED NET POSITION

As of December 31, 2013 and 2012, the Authority had unrestricted net position balances of \$1,261,120 and \$974,483 respectively.

The Authority has, by resolution, designated a portion of its Unrestricted Net Position for the following purposes:

	<u>2013</u>		<u>2012</u>	
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Water Operations</u>
Designated for Equipment				
Renewal and Replacement	\$ 290,000	\$	\$ 290,000	\$
Designated for Subsequent Year's				
Expenditures	<u>296,320</u>	<u>140,374</u>	<u>121,561</u>	<u>89,112</u>
Designated Unrestricted Net				
Position	<u>\$ 586,320</u>	<u>\$ 140,374</u>	<u>\$ 411,561</u>	<u>\$ 89,112</u>

The unrestricted net position-designated for subsequent year's expenditures at December 31, 2013 and 2012 has been appropriated and included as anticipated revenue in the Authority's 2014 and 2013 budgets respectively.

NOTE 14 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 15 COMPLIANCE WITH THE RATE COVENANT CONTAINED IN THE AUTHORITY'S BOND RESOLUTION

Section 612 of the Authority's Bond Resolution requires the Authority to estimate, compute, make, charge and collect rates and charges so that Revenues, as defined in the Resolution, will be at least sufficient to pay Operating Expenses of the Authority for the year; provide an amount which will at least equal 100% of the Annual Debt Service Requirement for the year; to provide the amount needed, if any, so that the amount on deposit in the Bond Reserve Fund will equal the Bond Reserve Requirement; to provide for the payment of amounts due on Subordinated Indebtedness and all other charges or liens which are related to the System whatsoever; and to provide for payment of any additional amounts which are necessary to comply with the provisions of the Resolution and all other statutory and legal obligations of the Authority. For the purpose of Section 612 of the Resolution, Revenues are deemed to include "any funds, which the Authority deposits in the Revenue Fund, regardless of the source thereof." For the years 2013 and 2012, Revenues as defined were sufficient to meet the rate covenant contained in Section 612 of the Authority's Bond Resolution.

NOTE 16 RECLASSIFICATION

Reclassifications have been made to certain prior year financial statement information to conform to the current year presentation. These reclassifications have no effect on the prior year net position or change in net position.

SUPPLEMENTARY INFORMATION

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

	SEWER OPERATION					WATER OPERATION					TOTAL	
	UNRESTRICTED		RESTRICTED			UNRESTRICTED		RESTRICTED			2013 (MEMO)	2012 (MEMO)
NET INVESTMENT IN CAPITAL ASSETS	UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		NET INVESTMENT IN CAPITAL ASSETS	UNDESIGNATED	DESIGNATED	DEBT SERVICE	OPERATIONS		
OPERATING REVENUE:												
User Charges	\$	\$ 1,264,315	\$	\$	\$	\$	\$ 713,196	\$	\$	\$	\$ 1,977,511	\$ 1,985,139
Interest on Delinquent Accounts		32,588					17,973				50,561	40,265
Septage Fees		226,538									226,538	209,960
Miscellaneous Income		1,019					9,010				10,029	13,845
	-	1,524,460	-	-	-	-	740,179	-	-	-	2,264,639	2,249,209
OPERATING EXPENSES:												
Cost of Providing Services		763,842					431,755				1,195,597	1,230,325
Administrative and General		191,644					177,030				368,674	345,616
Depreciation		256,414					129,110				385,524	384,423
	-	1,211,900	-	-	-	-	737,895	-	-	-	1,949,795	1,960,364
OPERATING INCOME	-	312,560	-	-	-	-	2,284	-	-	-	314,844	288,845
NON-OPERATING REVENUE (EXPENSES):												
Connection Fees		15,096									15,096	52,720
Interest Income		729		1,825			402		708		3,664	6,481
Miscellaneous Income							44,702				44,702	49,023
Interest Expense		(124,471)					(29,618)				(154,089)	(130,939)
Debt Issue Costs Incurred		(29,357)									(29,357)	-
	-	(138,003)	-	1,825	-	-	15,486	-	708	-	(119,984)	(22,715)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	-	174,557	-	1,825	-	-	17,770	-	708	-	194,860	266,130
CAPITAL CONTRIBUTIONS		942,279									942,279	111,711
TRANSFERS:												
Other Transfers	916,015	(1,173,677)	174,759	73,235	9,668	(170,277)	97,154	51,262	21,132	729	-	-
Interest Income		1,825		(1,825)			708		(708)	-	-	-
INCREASE (DECREASE) IN NET POSITION	916,015	(55,016)	174,759	73,235	9,668	(170,277)	115,632	51,262	21,132	729	1,137,139	377,841
NET POSITION - JANUARY 1,	2,690,800	212,221	411,561	97,210	287,954	2,675,409	261,589	89,112	25,529	180,892	6,932,277	6,554,436
NET POSITION - DECEMBER 31,	<u>\$ 3,606,815</u>	<u>\$ 157,205</u>	<u>\$ 586,320</u>	<u>\$ 170,445</u>	<u>\$ 297,622</u>	<u>\$ 2,505,132</u>	<u>\$ 377,221</u>	<u>\$ 140,374</u>	<u>\$ 46,661</u>	<u>\$ 181,621</u>	<u>\$ 8,069,416</u>	<u>\$ 6,932,277</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2013 AND 2012

	2013			2012		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
ASSETS						
CURRENT ASSETS - UNRESTRICTED:						
Cash	\$ 183,018	\$ 490,340	\$ 673,358	\$ 216,568	\$ 381,412	\$ 597,980
Accounts Receivable	145,307	107,754	253,061	144,077	103,142	247,219
Interest Receivable	2		2			-
Grant Receivable			-	111,711		111,711
Due from Restricted Assets	258,701	68,769	327,470			-
Inventory	31,105	20,737	51,842	34,339	22,893	57,232
Total Current Assets - Unrestricted	618,133	687,600	1,305,733	506,695	507,447	1,014,142
CURRENT ASSETS - RESTRICTED:						
Accounts Required by the General Bond Resolution:						
Cash	550,581	251,972	802,553	411,210	225,869	637,079
Investments	568,731	151,269	720,000	518,400	201,600	720,000
Interest Receivable	775	302	1,077	1,025	399	1,424
Other:						
Cash	295,706		295,706	477,519		477,519
Total Current Assets - Restricted	1,415,793	403,543	1,819,336	1,408,154	427,868	1,836,022
NONCURRENT ASSETS:						
Capital Assets, Net	8,458,245	2,918,084	11,376,329	7,942,298	3,047,196	10,989,494
Total Noncurrent Assets	8,458,245	2,918,084	11,376,329	7,942,298	3,047,196	10,989,494
TOTAL ASSETS	10,492,171	4,009,227	14,501,398	9,857,147	3,982,511	13,839,658
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred Loss on Defeasance of Debt	19,668	7,649	27,317	36,612	14,238	50,850
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,668	7,649	27,317	36,612	14,238	50,850

(Continued)

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF NET POSITION
DECEMBER 31, 2013 AND 2012**

	2013			2012		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
LIABILITIES						
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:						
Accounts Payable - Operations	\$ 24,715	\$ 9,480	\$ 34,195	\$ 27,318	\$ 13,281	\$ 40,599
Accrued Liabilities	30,216	13,275	43,491	29,727	14,966	44,693
Total Current Liabilities Payable From Unrestricted Assets	54,931	22,755	77,686	57,045	28,247	85,292
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:						
Contracts Payable			-	105,737		105,737
Retainage Payable			-	168,979		168,979
Due to Unrestricted Assets	258,701	68,769	327,470			-
Project Note Payable			-	3,700,000		3,700,000
Revenue Bonds Payable - Current Portion	341,053	70,000	411,053	273,497	68,600	342,097
Accrued Interest Payable - Bonds and Notes	7,496	1,700	9,196	13,825	1,909	15,734
Developer Escrow Liability	2,257		2,257	27,991		27,991
Total Current Liabilities Payable From Restricted Assets	609,507	140,469	749,976	4,290,029	70,509	4,360,538
LONG-TERM LIABILITIES:						
Revenue Bonds Payable - Non-Current Portion	4,857,121	435,155	5,292,276	1,677,356	505,080	2,182,436
Accrued Compensated Absences	39,384	31,459	70,843	35,800	28,709	64,509
Total Long-Term Liabilities	4,896,505	466,614	5,363,119	1,713,156	533,789	2,246,945
TOTAL LIABILITIES	5,560,943	629,838	6,190,781	6,060,230	632,545	6,692,775
DEFERRED INFLOWS OF RESOURCES:						
Deferred Revenue	549	106,877	107,426	747	106,298	107,045
Deferred Connection Fees	131,940	29,152	161,092	133,036	25,375	158,411
TOTAL DEFERRED INFLOWS OF RESOURCES	132,489	136,029	268,518	133,783	131,673	265,456
NET POSITION:						
Net Investment in Capital Assets	3,606,815	2,505,132	6,111,947	2,690,800	2,675,409	5,366,209
Restricted:						
Current Debt Service	170,445	46,661	217,106	97,210	25,529	122,739
Operations	297,622	181,621	479,243	287,954	180,892	468,846
Unrestricted	743,525	517,595	1,261,120	623,782	350,701	974,483
TOTAL NET POSITION	\$ 4,818,407	\$ 3,251,009	\$ 8,069,416	\$ 3,699,746	\$ 3,232,531	\$ 6,932,277

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Sewer Operation	Water Operation	Total	Sewer Operation	Water Operation	Total
OPERATING REVENUE:						
User Charges and Fees	\$ 1,264,315	\$ 713,196	\$ 1,977,511	\$ 1,252,978	\$ 732,161	\$ 1,985,139
Interest on Delinquent Accounts	32,588	17,973	50,561	25,291	14,974	40,265
Septage Fees	226,538		226,538	209,960		209,960
Miscellaneous Income	1,019	9,010	10,029		13,845	13,845
Total Operating Revenue	1,524,460	740,179	2,264,639	1,488,229	760,980	2,249,209
OPERATING EXPENSES:						
Cost of Providing Services	763,842	431,755	1,195,597	768,257	462,068	1,230,325
Administrative and General	191,644	177,030	368,674	186,982	158,634	345,616
Depreciation	256,414	129,110	385,524	254,283	130,140	384,423
Total Operating Expenses	1,211,900	737,895	1,949,795	1,209,522	750,842	1,960,364
OPERATING INCOME	312,560	2,284	314,844	278,707	10,138	288,845
NON-OPERATING REVENUE (EXPENSES):						
Connection Fees	15,096		15,096	39,136	13,584	52,720
Interest Income	2,554	1,110	3,664	4,450	2,031	6,481
Miscellaneous Income		44,702	44,702		49,023	49,023
Interest Expense	(124,471)	(29,618)	(154,089)	(97,759)	(33,180)	(130,939)
Debt Issue Costs Incurred	(29,357)		(29,357)			
Total Non-Operating Revenue (Expenses)	(136,178)	16,194	(119,984)	(54,173)	31,458	(22,715)
CHANGE IN NET POSITION, BEFORE CAPITAL CONTRIBUTIONS	176,382	18,478	194,860	224,534	41,596	266,130
CAPITAL CONTRIBUTIONS	942,279		942,279	111,711		111,711
CHANGE IN NET POSITION	1,118,661	18,478	1,137,139	336,245	41,596	377,841
NET POSITION - JANUARY 1,	3,699,746	3,232,531	6,932,277	3,363,501	3,190,935	6,554,436
NET POSITION- DECEMBER 31,	\$ 4,818,407	\$ 3,251,009	\$ 8,069,416	\$ 3,699,746	\$ 3,232,531	\$ 6,932,277

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012

	SEWER OPERATIONS			WATER OPERATIONS		
	2013 BUDGET	2013 ACTUAL	2012 ACTUAL	2013 BUDGET	2013 ACTUAL	2012 ACTUAL
REVENUE:						
User Charges and Fees	\$ 1,251,005	\$ 1,264,315	\$ 1,252,978	\$ 708,491	\$ 713,196	\$ 732,161
Interest on Delinquent Accounts	21,500	32,588	25,291	9,000	17,973	14,974
Connection Fees	17,500	15,096	39,136	3,780		13,584
Septage Fees	200,000	226,538	209,960			
Miscellaneous Operating Income	1,000	1,019		2,000	9,010	13,845
Miscellaneous Non-Operating Income				39,000	44,702	49,023
Interest on Investments	7,500	2,554	4,450	2,500	1,110	2,031
Total Revenue	1,498,505	1,542,110	1,531,815	764,771	785,991	825,618
EXPENSES:						
Costs of Providing Services:						
Salaries and Wages	281,843	285,756	284,629	214,340	218,395	217,825
Employee Benefits	152,783	114,445	124,742	114,990	81,407	88,966
Automotive Expenses	15,000	5,804	6,532	14,000	4,592	4,081
Office Supplies - Plant	3,000	2,008	503	1,000	1,636	356
Operating Supplies	167,000	92,717	104,601	46,500	29,155	30,481
Utilities	210,000	163,471	181,692	89,600	73,996	97,280
Repairs and Maintenance	85,000	73,979	48,387	40,000	14,789	15,236
General Expense		2,826		1,500		
Laboratory Supplies	6,000	6,689	6,016	3,500	2,952	2,600
Laboratory Testing	30,000	16,147	11,155	9,000	2,759	3,222
Public Water Tax				2,500	2,074	2,021
	950,626	763,842	768,257	536,930	431,755	462,068
Administrative and General Expenses:						
Salaries and Wages	48,030	45,601	39,931	48,030	45,601	39,931
Employee Benefits	28,411	35,103	28,803	28,660	34,553	28,803
Office Supplies and Expenses	7,500	6,957	6,583	7,500	6,926	6,583
Computer Expense	5,000	4,766	3,449	9,000	12,416	6,599
Professional Services	80,000	49,469	52,323	52,500	41,698	47,033
Insurance	15,000	16,567	9,021	15,000	16,567	9,021
Postage/Billing	5,000	3,865	3,861	6,000	3,705	4,781
Telephone	5,500	4,906	5,588	5,500	4,905	5,588
Education	4,000			2,000	725	1,442
Legal Advertising	1,000	675	293	1,000	675	293
Licenses, Fees, Permits and Assessments	35,000	23,735	25,379	10,000	8,105	8,354
Provision for Doubtful Accounts			11,751		1,154	206
	234,441	191,644	186,982	185,190	177,030	158,634
Interest Expense	73,450	107,335	79,373	23,163	22,954	26,030

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012

	SEWER OPERATIONS			WATER OPERATIONS		
	2013 BUDGET	2013 ACTUAL	2012 ACTUAL	2013 BUDGET	2013 ACTUAL	2012 ACTUAL
OTHER COSTS FUNDED BY						
REVENUES:						
Principal Maturities	\$ 273,500	\$ 301,872	\$ 313,845	\$ 68,600	\$ 68,600	\$ 86,800
Reserve For Future Debt Service	38,049					
Other Reserves						
Construction In Progress			10,284			
Capital Outlays	50,000	19,313	31,848	40,000		3,290
	<u>361,549</u>	<u>321,185</u>	<u>355,977</u>	<u>108,600</u>	<u>68,600</u>	<u>90,090</u>
TOTAL COSTS FUNDED BY REVENUES	<u>1,620,066</u>	<u>1,384,006</u>	<u>1,390,589</u>	<u>853,883</u>	<u>700,339</u>	<u>736,822</u>
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	<u>\$ (121,561)</u>	158,104	141,226	<u>\$ (89,112)</u>	85,652	88,796
Reconciliation of Budgetary Basis to Change in Net Position						
Adjustments to Budgetary Basis:						
Principal Maturities		301,872	313,845		68,600	86,800
Capital Outlays		19,313	42,132		-	3,290
Depreciation		(256,414)	(254,283)		(129,110)	(130,140)
Debt Issue Costs Incurred		(29,357)			-	-
Amortization Charged to Interest Expense		(17,136)	(18,386)		(6,664)	(7,150)
Capital Contributions		942,279	111,711		-	-
CHANGE IN NET POSITION PER EXHIBIT B		<u>\$ 1,118,661</u>	<u>\$ 336,245</u>		<u>\$ 18,478</u>	<u>\$ 41,596</u>

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2013

	<u>LOCAL REVENUE ACCOUNT</u>	<u>OPERATING CHECKING ACCOUNT</u>	<u>GENERAL FUND</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1,	\$ 189,315	\$ 162,528	\$ 246,137	\$ 597,980
CASH RECEIPTS:				
User Charges and Fees	2,253,754			2,253,754
Connection Fees	17,820			17,820
Other Income / Reimbursements	104,685	26,453		131,138
Interest on Investments	86	188	21	295
Transfers - Unrestricted Accounts	(405,965)		405,965	-
Transfer from Restricted Accounts		2,707,968	92,335	2,800,303
Total Cash and Investments Available	<u>2,159,695</u>	<u>2,897,137</u>	<u>744,458</u>	<u>5,801,290</u>
CASH DISBURSEMENTS:				
Operations		1,719,435		1,719,435
Transfers to Restricted Accounts	1,955,458		405,964	2,361,422
Additions to Construction In Progress		1,027,762		1,027,762
Fixed Assets Purchased from Operations		19,313		19,313
Total Cash Disbursed	<u>1,955,458</u>	<u>2,766,510</u>	<u>405,964</u>	<u>5,127,932</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 204,237</u>	<u>\$ 130,627</u>	<u>\$ 338,494</u>	<u>\$ 673,358</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing Accounts	\$ 204,237	\$ 130,377	\$ 338,494	\$ 673,108
Interest Bearing Accounts	<u>\$ 204,237</u>	<u>\$ 130,627</u>	<u>\$ 338,494</u>	<u>\$ 673,358</u>

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
RESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2013**

	ACCOUNTS REQUIRED BY THE AUTHORITY'S GENERAL BOND RESOLUTION				OTHER			TOTAL
	DEBT SERVICE	DEBT RESERVE	OPERATING	TRUSTEE REVENUE	PROJECT ACCOUNT	DEVELOPER ESCROW ACCOUNT	RENEWAL AND REPLACEMENT ACCOUNT	
CASH AND INVESTMENTS - JANUARY 1,	\$ 133,370	\$ 766,317	\$ 457,392	\$ -	\$ 156,337	\$ 27,991	\$ 293,191	\$ 1,834,598
CASH RECEIPTS:								
Proceeds from USDA Bond Issue					3,549,000			3,549,000
Grant Proceeds					1,053,990			1,053,990
Transfers from Unrestricted Accounts				2,361,422				2,361,422
Interest Received	14	2,867	659	10	164	5	165	3,884
Transfers Restricted Accounts	529,031	(2,867)	1,665,073	(2,194,226)	2,989			-
Total Cash and Investments Available	<u>662,415</u>	<u>766,317</u>	<u>2,123,124</u>	<u>167,206</u>	<u>4,762,480</u>	<u>27,996</u>	<u>293,356</u>	<u>8,802,894</u>
CASH DISBURSEMENTS:								
Debt Service Payments	436,112				3,722,481			4,158,593
Charges to Escrow Account						25,739		25,739
Transfer to Unrestricted Accounts			1,668,062	92,335	1,039,906			2,800,303
Total Cash Disbursements	<u>436,112</u>	<u>-</u>	<u>1,668,062</u>	<u>92,335</u>	<u>4,762,387</u>	<u>25,739</u>	<u>-</u>	<u>6,984,635</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 226,303</u>	<u>\$ 766,317</u>	<u>\$ 455,062</u>	<u>\$ 74,871</u>	<u>\$ 93</u>	<u>\$ 2,257</u>	<u>\$ 293,356</u>	<u>\$ 1,818,259</u>
BALANCE COMPRISED OF:								
Cash and Cash Equivalents:								
Interest Bearing Accounts	\$ 226,303	\$ 46,317	\$ 455,062	\$ 74,871	\$ 93	\$ 2,257	\$ 293,356	\$ 1,098,259
Investments (At Cost):								
Certificate of Deposit		720,000						720,000
	<u>\$ 226,303</u>	<u>\$ 766,317</u>	<u>\$ 455,062</u>	<u>\$ 74,871</u>	<u>\$ 93</u>	<u>\$ 2,257</u>	<u>\$ 293,356</u>	<u>\$ 1,818,259</u>

SCHEDULE 7

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 A
DECEMBER 31, 2013**

ORIGINAL		MATURITIES			BALANCE	ISSUED	PAID	BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2013	2013	2013	DECEMBER 31, 2013
9/1/2003	\$ 5,995,000	3.750%	12/1/2014	\$ 250,000	\$ 2,050,000	\$	\$ 245,000	\$ 1,805,000
		4.000%	12/1/2015	265,000				
		4.000%	12/1/2016	270,000				
		4.100%	12/1/2017	285,000				
		4.200%	12/1/2018	405,000				
		4.300%	12/1/2019	330,000				
					<u>\$ 2,050,000</u>	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 1,805,000</u>

SCHEDULE 8

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2003 L
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2013**

ORIGINAL		MATURITIES		BALANCE	ISSUED	PAID	BALANCE
DATE	AMOUNT	DATE	AMOUNT	JANUARY 1, 2013	2013	2013	DECEMBER 31, 2013
9/1/2003	\$ 546,310	4/1/2014	\$ 43,396	\$ 170,677	\$	\$ 42,097	\$ 128,580
		4/1/2015	41,562				
		4/1/2016	42,708				
		4/1/2017	914				
				<u>\$ 170,677</u>	<u>\$ -</u>	<u>\$ 42,097</u>	<u>\$ 128,580</u>

The Series 2003 L Bonds (formerly Series 1997 L Bonds) are interest free obligations.

In conjunction with the issuance of its Series 2003 A Refunding Bonds, the Authority issued the Series 2003 L Bonds in substitution of, and in exchange for, the Series 1997 L Bonds, originally issued to the State of New Jersey. The 2003 L Bonds are issued pursuant to the Loan Agreement dated November 1, 1997 and are subject to the same terms and conditions as the Series 1997 L Bonds.

SCHEDULE 9

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF SERIAL REVENUE BONDS PAYABLE - SERIES 2003 T
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2013**

ORIGINAL		MATURITIES			BALANCE	ISSUED	PAID	BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2013	2013	2013	DECEMBER 31, 2013
9/1/2003	\$ 690,000	5.00%	4/1/2014	\$ 60,000	\$ 305,000	\$	\$ 55,000	\$ 250,000
		5.00%	4/1/2015	60,000				
		5.00%	4/1/2016	65,000				
		5.00%	4/1/2017	65,000				
					<u>\$ 305,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 250,000</u>

In conjunction with the issuance of its Series 2003 A Refunding Bonds, the Authority issued the Series 2003 T Bonds in substitution of, and in exchange for, the Series 1997 T Bonds, originally issued to the New Jersey Environmental Infrastructure Trust. The 2003 T Bonds are issued pursuant to the Loan Agreement dated November 1, 1997 and are subject to the same terms and conditions as the Series 1997 T Bonds.

SCHEDULE 10

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE BONDS PAYABLE - SERIES 2013
DECEMBER 31, 2013

ORIGINAL		MATURITIES			BALANCE			BALANCE
DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2013	ISSUED 2013	PAID 2013	DECEMBER 31, 2013
6/28/2013	\$ 3,549,000	2.125%	2014	\$ 57,657	\$ -	\$ 3,549,000	\$ 28,375	\$ 3,520,625
			2015	58,889				
			2016	60,148				
			2017	61,432				
			2018	62,744				
			2019	64,085				
			2020	65,454				
			2021	66,852				
			2022	68,281				
			2023	69,739				
			2024	71,229				
			2025	72,750				
			2026	74,305				
			2027	75,892				
			2028	77,513				
			2029	79,169				
			2030	80,861				
			2031	82,588				
			2032	84,352				
			2033	86,154				
			2034	87,995				
			2035	89,875				
			2036	91,795				
			2037	93,755				
			2038	95,758				
			2039	97,804				
			2040	99,894				
			2041	102,027				
			2042	104,207				
			2043	106,433				
			2044	108,707				
			2045	111,029				
			2046	113,401				
			2047	115,824				
			2048	118,298				
			2049	120,825				
			2050	123,406				
			2051	126,042				
			2052	128,736				
			2053	64,720				
					<u>\$ -</u>	<u>\$ 3,549,000</u>	<u>\$ 28,375</u>	<u>\$ 3,520,625</u>

SCHEDULE 11

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Receivable December 31, 2012</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Receivable December 31, 2013</u>
			<u>From</u>	<u>To</u>				
U.S. Department of Agriculture								
ARRA - Water and Waste Disposal Systems								
For Rural Communities - Grant	10.781	\$ 1,054,000	5/7/2009	Completion	\$ 111,711	\$ (1,053,990)	\$ 942,279	\$ -
Total Federal Financial Awards					<u>\$ 111,711</u>	<u>\$ (1,053,990)</u>	<u>\$ 942,279</u>	<u>\$ -</u>

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the federal award activity of the Borough of Buena Municipal Utilities Authority. The Authority is defined in Notes to the Financial Statements, Note 1. All federal assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included in the Schedule of Expenditures of Federal Awards.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting in accordance with generally accepted accounting principles as described in the Notes to the Financial Statements, Note 2.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles and amounts reported in the Schedule of Expenditures of Federal Awards agree with amounts reported in the Authority's financial statements.

NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports.

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Part 1 - Summary of Auditor's Report

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting :

- 1) Material weakness(es) identified ? yes X no
- 2) Were significant deficiencies identified that were not
considered to be material weaknesses ? yes X none reported

Noncompliance material to the general-purpose financial
statements noted ? yes X no

Federal Awards

Internal control over compliance :

- 1) Material weakness(es) identified ? yes X no
- 2) Were significant deficiencies identified that were not
considered to be material weaknesses ? yes X none reported

Type of auditor's report on compliance for major programs : Unmodified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major programs :

CFDA Numbers

10.781

Name of Federal Program

ARRA - Water and Waste Disposal Systems
for Rural Communities - Grant

Dollar threshold used to determine Type A programs : \$300,000

Auditee qualified as low risk auditee ? yes X no

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

NONE NOTED

BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED DECEMBER 31, 2013

Part 3 - Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

NONE NOTED

**BOROUGH OF BUENA MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
YEAR ENDED DECEMBER 31, 2013**

This section identifies the status of prior-year findings related to the financial statements and Federal Awards that are required to be reported in accordance with *Government Auditing Standards*, U.S. OMB Circular A-133 and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

Financial Statement Findings

None Noted

Federal Awards

None Noted

ROSTER OF OFFICIALS

The following officials were in office during the period under review:

Authority Members

John Brunini
Richard Baker
Herbert Bertonazzi
Charles Mielke
Francisco Soto
Sharon Woshnak
E. James Dubois

Position

Chairman
Vice Chairman/Asst. Treasurer
Member
Member
Member
Alternate
Alternate

Other Officials

Cheryl Santore	Secretary/Treasurer and Financial Officer
Testa, Heck, Scrocca & Testa, P.A.	Solicitor

Surety Company

New Jersey Utility Authorities Joint Insurance Fund